ANNUAL REPORT 1970

Inglis

Directors and Officers

directors

Percival J. Baldwin
Charles-Émile Bélanger
John A. Boyd
Air Marshal Hugh Campbell, C.B.E., C.D.
James D. Irving
Conde G. Maiden
J. Geoffrey Notman, O.B.E.
George A. Riddell
R. Barrett Simpson
Humphrey B. Style
Robert B. Willemin

officers

Robert B. Willemin
Chairman of the Board

Conde G. Maiden
President and Chief Executive Officer

R. Barrett Simpson
Vice President – Finance, Treasurer and Secretary

William H. Minish
Vice President – Engineering

Kenneth G. Coker
Vice President

Percival J. Baldwin
Assistant Secretary

bankers

Bank of Montreal

transfer agent and registrar

Canada Permanent Trust Company
1901 Yonge St., Toronto 295
600 Dorchester Blvd. West, Montreal 101

auditors

Clarkson, Gordon & Co., Chartered Accountants
Toronto-Dominion Centre, Toronto 111

Financial Summary

	1970	1969
Sales	$49,847,162	$47,867,660
Net (loss) profit	$ (616,599)	$ 437,136
Per share	$ (.47)	$ .37
Depreciation and amortization	$ 1,351,714	$ 1,228,176
Preproduction expenses written off	$ 452,000	$ 452,000
Working capital	$ 8,287,997	$ 5,823,046
Shareholders' equity	$13,298,879	$13,915,478
Per share	$ 10.11	$ 10.58

With the compliments of

CONDE MAIDEN

~~PRESIDENT~~
JOHN INGLIS CO. LIMITED
~~TORONTO, CANADA~~

Report of the Board of Directors

To the Shareholders-

Your Directors present herewith the Annual Report of your Company for the year ended December 31, 1970.

Net sales for the year ended December 31, 1970 amounted to $49,847,162 compared to net sales of $47,867,660 for the year ended December 27, 1969, an increase of 4.1%. Operations for the year 1970 resulted in a net loss of $616,599 as compared with a net profit of $437,136 for 1969.

The increase in the sales volume of 1970 is particularly gratifying inasmuch as industry unit sales of major appliances were down 7.6% in 1970 as compared to 1969. The Company achieved an increase in its share of the Canadian major appliance market in all of its product lines.

The principal factors that adversely affected Inglis' 1970 performance, as compared to that in 1969, were as follows:

(a) We stated in the report on third quarter results sent to each shareholder that it was expected the strike at our Stoney Creek Refrigerator Plant would have an adverse affect on 1970 earnings. The strike continued for sixteen weeks and a new three year contract has been entered into with the Union. Substantial losses were incurred as a result of the fixed charges at the Stoney Creek Plant that continued during the strike; the increased cost of purchasing components, normally produced at Stoney Creek, to maintain production at our Toronto Plant; and the loss of sales revenue because of unavailability of product.

(b) The substantial drop in sales of major appliances in the last quarter of 1969, felt across the industry, resulted in our having higher than usual finished goods inventories as we entered 1970. Inventories were reduced to satisfactory levels during the first half of 1970 through a special sales campaign with related promotional expense that reduced profit on sales generated.

(c) Although selling prices were increased during the year, because of competitive conditions the increases made have not been sufficient to offset increased costs of material and labour.

Reference has been made in the past to cost reduction projects in our factories, especially with regard to refrigerators. Such projects are carried out on an aggressive and continuing basis on all products and significant progress is being made; however, refrigerator operations have not yet reached a profitable level.

The labour contracts with the Union at our Toronto Plant expire March 31, 1971 and negotiations on new contracts have commenced.

Progress was made in 1970 in improving operations and strengthening our Management team. We expect the full affect of such efforts, combined with projected increases in sales of our products, will be reflected favourably in 1971 financial results.

Your Directors wish to record their appreciation of the loyalty, support and efforts of Company employees during the year.

On behalf of the Board,

Robert B. Willemin

ROBERT B. WILLEMIN
Chairman of the Board

C.G. Maiden

CONDE G. MAIDEN
President and Chief Executive Officer

February 19, 1971

Balance Sheet

December 31, 1970 *(with comparative figures for 1969)*

Assets

	1970	1969
Current:		
Accounts receivable	$ 5,849,964	$ 6,533,967
Inventories, valued at the lower of cost or market	11,803,374	16,833,265
Prepaid expenses (note 3)	347,614	374,587
	18,000,952	23,741,819
Fixed:		
Land, buildings and equipment, at cost	13,303,733	13,263,818
Less accumulated depreciation	5,741,177	5,208,756
	7,562,556	8,055,062
Unamortized tooling costs	845,047	1,202,091
	8,407,603	9,257,153
Other:		
Prepaid income taxes	300,000	80,000
Deferred preproduction expenses	903,279	1,355,279
	1,203,279	1,435,279
	$27,611,834	$34,434,251

On behalf of the Board:

Robert B. Willemin, Director

C. G. Maiden, Director

John Inglis Co. Limited

(Incorporated under the laws of Ontario)

Inglis

Liabilities

	1970	1969
Current:		
Bank advances (note 4)	$ 3,882,636	$ 3,496,130
Short term notes payable		6,000,000
Accounts payable, warranties and accrued charges	5,225,629	7,828,712
Sales and other taxes payable	604,690	593,931
	9,712,955	17,918,773
Provision for warranty (note 3)	600,000	600,000
Debenture—due March 31, 1973 (note 5)	4,000,000	2,000,000

Shareholders' Equity

	1970	1969
Capital		
Authorized: 1,500,000 shares of no par value		
Issued: 1,315,831 shares	11,814,269	11,814,269
Earned surplus	1,484,610	2,101,209
	13,298,879	13,915,478
	$27,611,834	$34,434,251

(See accompanying notes to financial statements)

John Inglis Co. Limited

For the year ending December 31, 1970 *(with comparative figures for 1969)*

Statement of profit and loss

	1970	1969
Sales	$49,847,162	$47,867,660
Profit on operations before the undernoted	$ 1,879,155	$ 3,201,734
Less:		
Depreciation and amortization	1,351,714	1,228,176
Interest on long term debt	306,246	250,866
Other interest expense	605,794	613,556
Preproduction expenses written off	452,000	452,000
	2,715,754	2,544,598
(Loss) profit before income taxes	(836,599)	657,136
Income taxes (note 2)	(220,000)	348,000
(Loss) profit before extraordinary item	(616,599)	309,136
Add extraordinary item:		
Income tax credit		128,000
Net (loss) profit for the year	$ (616,599)	$ 437,136
Net (loss) earnings per share:		
Before extraordinary item	$ (.47)	$ .26
After extraordinary item	$ (.47)	$ .37

Statement of earned surplus

	1970	1969
Earned surplus, at beginning of year	$ 2,101,209	$ 1,664,073
Net (loss) profit for the year	(616,599)	437,136
Earned surplus, at end of year	$ 1,484,610	$ 2,101,209

Statement of source and application of funds

	1970	1969
Source of funds:		
Operations—		
Net (loss) profit	$ (616,599)	$ 437,136
Depreciation and amortization	1,351,714	1,228,176
Preproduction expenses written off	452,000	452,000
Deferred income taxes	(220,000)	220,000
	967,115	2,337,312
Proceeds from issue of debenture (note 5)	4,000,000	
	4,967,115	2,337,312
Application of funds:		
Additions to fixed assets (net)	502,164	1,603,851
Redemption of 7% debenture	2,000,000	
	2,502,164	1,603,851
Resulting increase in working capital	2,464,951	733,461
Working capital, at beginning of year	5,823,046	5,089,585
Working capital, at end of year	$ 8,287,997	$ 5,823,046

(See accompanying notes to financial statements)

1. During the year the Company changed its fiscal year end to December 31 from the previous 52 week basis which would have ended December 26, 1970. This change has no material effect on the net loss for the year.

2. The $220,000 income tax credit represents a reversal of deferred taxes provided in 1969.

As a result of differences in the timing of deductions for tax and book purposes, tax allowances may be received either earlier or later than the year in which the related expense is reflected in the books. This has created a balance of $225,000 which is available to reduce future income taxes payable. This amount has not been included in income in the current year, but will be included as an extraordinary item in future when profit is realized.

3. At December 31, 1970, $600,000 of the provision for warranty has been included in current liabilities and the prepaid income taxes applicable thereto have been included in current assets. The prior year figures have been restated to make them comparable.

4. Accounts receivable and inventories have been pledged to the bank as security for the bank loan.

5. The previously outstanding 7% Debenture for $2,000,000 due March 31, 1970, was replaced by a new Debenture for $4,000,000 due March 31, 1973, at a minimum interest rate of 9%. Under certain conditions, this Debenture may be redeemed prior to September 30, 1971. After that date it is redeemable at the Company's option.

6. The aggregate direct remuneration for the year paid or payable to directors and senior officers amounted to $250,346.

7. Based on the latest actuarial valuation of the Company's Pension and Retirement Plans, it is estimated that the unfunded obligation of the Company for pension benefits in respect of service rendered by employees to December 31, 1970, is approximately $1,395,000. The Company plans to fund this obligation by nineteen equal annual payments to the Trustee. Pension costs are absorbed against income as payments are made to the Trustee.

Auditors' Report

To the Shareholders of John Inglis Co. Limited:

We have examined the balance sheet of John Inglis Co. Limited as at December 31, 1970 and the statements of profit and loss and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 3, 1971.

CLARKSON, GORDON & CO.
Chartered Accountants

6 year statistical review 1965-1970
(in thousands of dollars)

operations	1970	1969	1968	1967	1966	1965
Sales—						
Consumer Products	$49,847	$47,867	$41,277	$31,700	$32,407	$27,853
Equipment Division	—	—	—	—	5,767	9,613
Total	$49,847	$47,867	$41,277	$31,700	$38,174	$37,466
Profit (loss) before income taxes	$ (837)	$ 657	$ 877	$ 1,930	$ 1,526	$ 420
Per cent to sales	(1.7)%	1.4%	2.1%	6.1%	4.0%	1.1%
Net profit before extraordinary items*	$ (617)	$ 309	$ 412	$ 930	$ 730	$ 200
Per cent to sales	(1.2)%	0.6%	1.0%	2.9%	1.9%	0.5%
Per share	$ (.47)	$ .26	$ .37	$ .84	$ .66	$ .18
Net profit after extraordinary items*	$ (617)	$ 437	$ 916	$ 1,930	$ 1,526	$ 420
Per cent to sales	(1.2)%	0.9%	2.2%	6.1%	4.0%	1.1%
Per share	$ (.47)	$ .37	$ .83	$ 1.74	$ 1.38	$ .38
Earned on shareholders' equity	(4.5)%	3.5%	8.7%	21.2%	20.6%	6.4%
Depreciation of buildings & equipment	$ 759	$ 675	$ 615	$ 236	$ 230	$ 466
Amortization of tooling	$ 593	$ 553	$ 316	$ 245	$ 136	$ 461
Amortization of preproduction expenses	$ 452	$ 452	$ —	$ —	$ —	$ —
Deferred preproduction expenses	$ —	$ —	$ 468	$ 1,104	$ 235	$ —
Additions to buildings & equipment	$ 267	$ 912	$ 749	$ 5,295	$ 347	$ (5,145)
Additions to tooling	$ 235	$ 691	$ 402	$ 1,126	$ 103	$ 393
balance sheet						
Working capital	$ 8,288	$ 5,823	$ 5,389	$ 5,162	$ 9,130	$ 9,113
Ratio of current assets to current liabilities	1.85:1	1.33:1	1.44:1	1.63:1	2.61:1	2.60:1
Land, buildings & equipment—net	$ 7,563	$ 8,055	$ 7,818	$ 7,684	$ 2,625	$ 2,508
Unamortized tooling	$ 845	$ 1,202	$ 1,064	$ 978	$ 97	$ 130
Long term debt	$ 4,000	$ 2,000	$ 4,500	$ 4,500	$ 3,355	$ 4,498
Shareholders' equity—						
Capital	$11,814	$11,814	$ 9,314	$ 9,314	$ 9,314	$ 9,314
Earned surplus (deficit)	1,485	2,101	1,664	748	(1,182)	(2,661)
	$13,299	$13,915	$10,978	$10,062	$ 8,132	$ 6,653
Number of shares outstanding (in thousands)	1,316	1,316	1,107	1,107	1,107	1,107
Book value per share	$ 10.11	$ 10.58	$ 9.91	$ 9.09	$ 7.34	$ 6.01
non-financial						
Number of employees	1,551	1,535	1,485	1,216	959	1,030
Number of shareholders	1,446	1,565	1,802	1,973	2,013	2,119

*Extraordinary items were income tax credits in 1965-1969 and profit on sale of land in 1968. In 1968 the Company adopted the tax allocation basis of computing the provision for income taxes. The figures for 1965 to 1967 have been restated accordingly.

In October, 1970, your Company introduced a forthright innovation in the servicing of household appliances. The Service is called the Cool Line. In operation nationally, it simply means that the owner of an Inglis appliance, anywhere in Canada, may call toll-free to an emergency Inglis number to learn where he may obtain appliance service in his community by Inglis-trained representatives.

This service has an importance beyond its actual function. In an economy where the word "Consumerism" is anathema to many manufacturers, this new service reflects an attitude of corporate responsibility and concern for the customer 'after the sale'. This has enhanced the quality connotations which have already accrued to the Inglis name.

The simplified warranty previously introduced by Inglis is probably the first document of its kind in Canada with no small print.

Your Company's preoccupation in these areas is well justified. We have entered a decade in which the consumer appliance industry is expected to show a remarkable growth. And the greatest reward will go to those companies which recognize that to-day's consumer is more restive and better organized than ever before.

The Inglis appliance lines are designed to meet the needs of this more demanding public — in styling, in colour co-ordination, in construction and in even wider selection of models and features.

In 1970 the Company marketed 5 highly successful models of Inglis washer and dryer pairs from its Toronto plant which enabled it to continue to dominate the Canadian laundry market. The dishwasher line, expanded to 7 models with many new features in both undercounter and front-loading product,

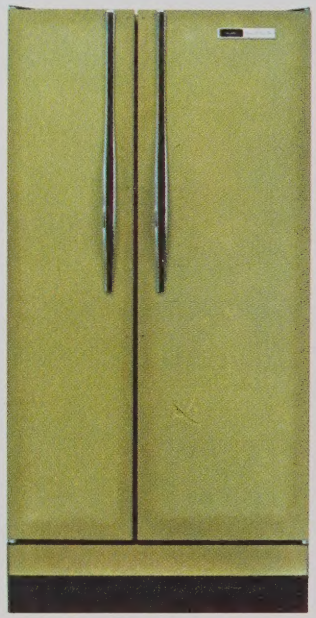
has also achieved a much larger share of industry sales.

The Inglis Stoney Creek plant is now manufacturing 9 refrigerator models as well as a vertical freezer line. They incorporate all the features that have been developed so far by the Industry, plus some product innovations that are exclusively Inglis.

All Inglis appliances excel in styling and in quality of construction — all are colour compatible.

Entering 1971, your Company introduced the Trash Masher to the Canadian market. It is considered the first really new household appliance to come along in over three decades. A unit that compresses up to a week's trash in one small bag, its initial impact on the market indicates that the Trash Masher will be one of the most exciting appliances marketing stories of the '70's.

Another major source of increased sales volume will be the continuing manufacture of private brand lines by your Company for Simpsons-Sears and RCA.



Inglis products

Automatic Washers and Dryers
Wringer Washers – Twin Tub Washers
Dishwashers
Refrigerators and Freezers
Dehumidifiers
Trash Mashers
Water Heaters
Oil Burner Fuel Pumps

Inglis
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